



State of Michigan Financial Highlights

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Introduction:

Beginning in 2019, state law requires a report to be published annually to communicate the state's basic financial condition in an easy-to-understand format. Detailed information about Michigan's financial condition can be found in the annual State of Michigan Comprehensive Annual Financial Report (CAFR). The CAFR contains extensive financial data about Michigan but is highly technical and not easily understood by most non-accountants. What follows is intended to be more accessible to residents.

Ideas about how to improve this report are welcome. Please send any suggestions or questions to **Contact-SBO@Michigan.gov**.

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Total State Revenue and Expenditures - Governmentwide

Michigan's total budget is nearly \$60 billion dollars and is made up of three broad categories of funding:

40% federal funds

Almost 40% of the state budget is funded by grants and other revenue Michigan receives from the federal government for specific purposes. This includes funding for the State's Medicaid program, funding for specific education programs like services for students needing special education, and Michigan's share of federal road funding.

40% state restricted funds

Roughly 40% of state revenue is restricted for specific purposes by the State's constitution and laws. This includes the School Aid Fund, the Michigan Transportation Fund, and Constitutional revenue sharing payments to local governments.

20% general fund

Less than 20% of total revenue is available for basic state operations and discretionary programs.

Over the past 5 years, total revenues have grown 17% and overall expenditures have grown 15%, primarily due to increased federal funds for the expansion of Medicaid which began during FY 2014.

Total State Revenue and Expenditures - Governmentwide

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Total Revenues	\$52,062.1	\$56,634.4	\$57,776.1	\$58,866.5	\$61,073.7
Change from prior year		8.8%	2.0%	1.9%	3.7%
Total Expenditures	\$51,430.5	\$55,267.2	\$56,183.0	\$55,995.5	\$59,357.9
Change from prior year		7.5%	1.7%	(0.3%)	6.0%

Descriptions:

Revenue Income of government collected through taxes, fees, grant funds from federal agencies, etc. and used to fund public services.

Expenditures Funds spent to provide public services and grants.

Note: Totals are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Also, the governmentwide amounts include all governmental fund (General Fund, Special Revenue funds, Debt Service funds, Capital Projects funds, and Permanent funds) and proprietary fund (Enterprise and Internal Service funds) activity. Amounts reported on the next page reflect only totals for general and special revenue funds.

Revenues by Major Source - General and Special Revenue Funds

The State receives revenue from a variety of sources, but Sales, Use, and Individual Income tax revenues represent more than 60% of tax revenue collected in Michigan.

Revenues by Major Source - General and Special Revenue Funds (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Individual Income Tax	\$8,020.1	\$8,987.9	\$9,372.0	\$9,455.0	\$10,162.2
Sales Tax	\$7,362.6	\$7,247.0	\$7,299.6	\$7,791.8	\$8,074.0
State Education Tax	\$1,804.2	\$1,857.7	\$1,897.3	\$1,964.8	\$1,989.5
Use Tax*	\$1,390.7	\$1,434.6	\$1,518.1	\$1,467.6	\$1,844.2
Motor Vehicle Registration Tax	\$943.5	\$981.2	\$1,021.8	\$1,213.1	\$1,297.9
Gasoline Tax	\$821.0	\$867.0	\$873.3	\$1,142.6	\$1,219.8
Corporate Income Tax	\$906.4	\$1,078.1	\$930.4	\$1,105.6	\$1,019.9
Michigan Business Tax	(\$723.3)	(\$639.4)	(\$878.9)	(\$704.6)	(\$646.7)
Tobacco Tax	\$940.3	\$954.5	\$946.7	\$946.0	\$918.0
Diesel Tax	\$138.1	\$137.0	\$137.8	\$215.7	\$246.2
Penalties and Interest	\$115.4	\$128.7	\$124.4	\$115.9	\$178.6
Other taxes	\$3,611.7	\$4,135.6	\$4,555.9	\$3,804.1	\$4,044.4
Total Taxes	\$25,330.7	\$27,170.0	\$27,798.4	\$28,517.6	\$30,348.0
Federal	\$17,259.7	\$19,800.6	\$20,028.0	\$19,508.7	\$19,957.1
License & Permits	\$494.6	\$510.4	\$552.0	\$567.6	\$568.4
Other Revenue Sources	\$2,104.0	\$2,167.9	\$2,393.1	\$2,345.3	\$2,434.3
Total - General & Special Revenue Funds	\$46,947.8	\$51,078.9	\$52,429.6	\$52,875.3	\$55,157.1

* Use Tax includes amount distributed to municipalities for personal property tax reimbursement, but excludes HMO Use Tax.

Note: Totals include only the General Fund and Special Revenue funds and are reported using the modified accrual basis of accounting. Revenues are generally recognized when they are both measurable and available, usually within 60 days.

Constitutional State Revenue Limit

In 1978, Michigan voters approved the "Headlee" amendment, which established a number of limits on state and local taxation. Article IX, Section 26 limits the amount of taxes that can be imposed on taxpayers by the Legislature. Total revenue is limited to 9.49% of total personal income in Michigan. The amount of tax revenue actually collected in Michigan is almost \$9 billion lower than the amount allowed.

Constitutional State Revenue Limit

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Section 26 State Revenue Limit	\$35,914.2	\$36,676.1	\$38,313.6	\$40,314.2	\$41,695.4
Total Actual Revenue Subject to Limit	\$27,432.5	\$29,277.6	\$30,188.4	\$31,109.2	\$32,956.1
Amount Over (Under) Limit	(\$8,481.7)	(\$7,398.5)	(\$8,125.2)	(\$9,205.0)	(\$8,739.3)

Expenditures by Major Spending Categories

General and Special Revenue Funds

More than 80% of state spending is devoted to education, health care, child welfare and other human services, and public safety programs.

Expenditures by Major Spending Categories - General and Special Revenue Funds (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
General Government	\$2,064.0	\$2,738.1	\$2,927.2	\$2,551.5	\$2,761.6
Education	\$14,909.9	\$15,366.4	\$15,726.6	\$16,078.4	\$16,673.6
Health and Human Services	\$20,600.7	\$23,287.2	\$23,516.9	\$23,070.4	\$23,925.0
Public Safety and Corrections	\$2,666.5	\$2,704.9	\$2,668.7	\$2,692.5	\$2,723.5
Conservation, Environment, Recreation and Agriculture	\$656.1	\$586.0	\$721.8	\$748.2	\$842.4
Labor, Commerce and Regulatory	\$961.9	\$978.0	\$1,230.8	\$1,270.0	\$1,259.3
Transportation	\$1,532.2	\$1,527.1	\$1,617.8	\$1,703.5	\$1,854.9
Tax Credits	\$676.5	\$662.4	\$672.4	\$696.5	\$696.1
Capital Outlay	\$70.7	\$237.4	\$212.7	\$55.5	\$122.5
Revenue Sharing to Local Units of Government	\$1,120.6	\$1,210.6	\$1,213.4	\$1,259.0	\$1,289.1
Debt Service	\$62.2	\$66.3	\$68.4	\$68.8	\$71.7
Total Expenditures	\$45,321.4	\$49,364.3	\$50,576.7	\$50,194.5	\$52,219.8

Note:

The amounts reported for Expenditures by Major Spending Categories – General and Special Revenue Funds only include the General Fund and Special Revenue funds and are reported using the modified accrual basis of accounting. Expenditures are generally recorded when a liability is incurred. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Total General Fund/General Purpose Revenue and Expenditures

General Fund/General Purpose (GF/GP) revenues are not earmarked by law for specific purposes, and are therefore available to support core government services and discretionary programs.

Inflation has increased about 50% since 2000, but total GF/GP revenues are approximately \$10.5 billion, the same level as 2000. In addition to underlying economic factors, the lack of growth is attributable to policy decisions such as tax cuts and revenue diversions.

Total General Fund/General Purpose Revenue and Expenditures

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Total Revenues	\$8,606.8	\$9,805.4	\$9,816.7	\$9,674.6	\$10,309.7
Total Other Financing Sources	\$179.8	\$201.1	\$216.6	\$233.3	\$236.0
Total Revenues and Other Financing Sources	\$8,786.6	\$10,006.5	\$10,033.3	\$9,907.9	\$10,545.8
Change from prior year		13.9%	0.3%	(1.3%)	6.4%
Total Expenditures	\$9,346.6	\$9,398.6	\$9,820.6	\$9,626.9	\$10,183.9
Change from prior year		0.6%	4.5%	(2.0%)	5.8%
Ending Balance (Unrestricted Fund Balance)*	\$306.4	\$694.7	\$604.4	\$622.5	\$788.3

- * The General Fund's unrestricted fund balance in the table is classified in the State of Michigan Comprehensive Annual Financial Report as 'Unassigned.' The unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. Therefore, unassigned fund balance is similar to an 'unrestricted' fund balance in that there are usually little to no constraints on the use of these funds.

Total School Aid Fund Revenue and Expenditures

The School Aid Fund is established in the Michigan Constitution. Its purpose is to aid in the support of local public schools, intermediate school districts, higher education, and school employee retirement systems of the State.

Growth in spending reflects increased investments in funding for the at-risk program and school employment retirement system.

In fiscal 2018, nearly 1.5 million pupils attended traditional public schools and public charter schools. This represents a decrease of 3% from fiscal 2014.

Total School Aid Fund Revenue and Expenditures (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Total Revenues	\$12,523.3	\$12,794.2	\$13,055.8	\$13,470.6	\$13,953.2
Total Other Financing Sources	\$766.6	\$786.9	\$934.4	\$980.5	\$819.2
Total Revenues and Other Financing Sources	\$13,289.9	\$13,581.1	\$13,990.2	\$14,451.1	\$14,772.4
Change from prior year		2.2%	3.0%	3.3%	2.2%
Total Expenditures	\$13,320.9	\$13,828.5	\$14,034.2	\$14,251.8	\$14,826.1
Change from prior year		3.8%	1.5%	1.6%	4.0%
Ending Balance - Restricted	\$ 522.5	\$ 275.1	\$ 231.0	\$ 430.3	\$ 433.5
Ending Balance - School Aid Stabilization Fund *	\$ 455.1	\$ 190.2	\$ 168.2	\$ 377.4	\$ 320.5

* The School Aid Stabilization Fund is a separate account within the School Aid Fund. Any unexpended or unencumbered state school aid fund revenue is deposited into this fund at the end of each fiscal year. The amounts accumulated in this fund are carried forward and shall be expended only for purposes for which state school aid money may be expended.

State Payments to Local Governments from State Sources

The "Headlee" amendment also established a minimum proportion of State revenue that must be paid to local governments, including municipalities, counties, school districts, and community colleges. Article IX, Section 30 requires that at least 48.97% of state spending from state resources be paid to local governments. Currently, local governments receive about \$2 billion over the required amount.

State Payments to Local Governments from State Sources

(\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Totals State Spending from State Sources	\$28,301.8	\$29,523.9	\$30,546.9	\$31,057.4	\$32,833.2
Total Required to be Paid to Local Governments (48.97%)	\$13,859.4	\$14,457.9	\$14,958.8	\$15,208.8	\$16,078.4
Payments to Local Governments from State Spending	\$15,700.8	\$16,313.1	\$16,852.5	\$17,355.2	\$18,140.4
Amount Over (Under) Requirement	\$1,841.4	\$1,855.2	\$1,893.7	\$2,146.4	\$2,062.0

Average Number of Active Classified Employees by Department

The State of Michigan workforce is about 47,000 employees, which has remained constant over the last five years. This level is significantly lower than 2000, when the state had more than 62,000 employees.

Average Number of Active Classified Employees by Department					
Fiscal Year (October 1 - September 30)					
	2014	2015	2016	2017	2018
Agriculture and Rural Development	397	405	412	439	458
Attorney General	490	482	477	491	498
Auditor General	134	137	150	149	143
Civil Rights	91	94	92	84	86
Civil Service Commission	414	414	416	418	432
Corrections	12,766	12,555	12,600	12,278	11,967
Education	518	515	507	504	505
Environmental Quality	1,099	1,101	1,108	1,126	1,129
Executive Office	58	60	56	60	57
Insurance and Financial Services	292	305	302	296	300
Licensing & Regulatory Affairs	2,525	2,120	1,847	1,895	1,943
Health and Human Services	14,516	14,046	13,858	14,083	14,273
Military and Veterans Affairs	772	757	750	745	765
Natural Resources	1,554	1,613	1,665	1,683	1,719
State	1,308	1,321	1,325	1,309	1,332
State Police	2,616	2,707	2,775	2,893	2,984
Strategic Fund	631	-	-	-	-
Talent & Economic Development	-	1,006	1,253	1,199	1,163
Technology, Management & Budget	2,674	2,789	2,874	2,960	2,992
Transportation	2,573	2,570	2,600	2,594	2,597
Treasury	1,577	1,592	1,626	1,619	1,616
Total	47,003	46,588	46,692	46,825	46,956

Article V, Section 2 of the Michigan Constitution authorizes the Governor to make changes in the organization of the executive branch considered necessary for efficient administration. Where department totals are blank, an Executive Reorganization Order has transferred employees across departments and/or created new departments.

Total Outstanding Debt by Major Type

Michigan's debt burden is low relative to other states, and has been declining over the last several years.

Total Outstanding Debt by Major Type (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
General Obligation Bonds	\$1,988.6	\$1,790.5	\$1,700.4	\$1,634.4	\$1,607.0
Revenue Bonds	\$2,065.8	\$1,916.0	\$1,798.4	\$1,623.7	\$1,446.9
State Building Authority Bonds	\$3,165.2	\$3,272.4	\$3,289.0	\$3,303.1	\$3,199.5
Other	\$393.6	\$453.6	\$527.0	\$500.3	\$488.6
Total	\$7,613.2	\$7,432.5	\$7,314.8	\$7,061.6	\$6,742.0
Per Capita Debt	\$768	\$749	\$736	\$709	NA
Debt as % personal income	1.9%	1.7%	1.6%	1.5%	NA

Description of Debt Types:

General Obligation Bonds	Long-term borrowing backed by the full faith and credit of the state. Except for loans to school districts, general obligation bonds must be approved by voters. Currently, general obligation debt is primarily for environmental programs.
Revenue Bonds	Long-term borrowing for specific purposes that must be repaid from specifically designated sources, rather than the state's general credit. Transportation bonds are in this category.
State Building Authority Bonds	Long-term borrowing to construct and acquire facilities for use by the state or by community colleges and public universities.

Total Unfunded Liabilities for Retirement Systems

Over the last decade, Michigan has instituted fiscal practices to address unfunded liabilities. A major reform was moving from pay-as-you-go to pre-funding of retiree health costs, which has increased long-term stability of the retirement systems.

Total Unfunded Liabilities for Retirement Systems (\$ in Millions)

		Fiscal Year (October 1 - September 30)				
		2014	2015	2016	2017	2018
State Employee Retirement System						
	Pension	\$6,211.0	\$5,821.0	\$6,078.0	\$5,997.0	\$6,501.0
	Health	\$7,691.0	\$7,697.0	\$8,395.0	\$7,548.0	\$8,069.0
Public School Employee Retirement System						
	Pension	\$26,479.0	\$26,721.0	\$29,107.0	\$29,438.0	\$32,745.0
	Health	\$11,180.0	\$9,302.0	\$9,497.0	\$8,410.0	\$7,660.0
Judges Retirement System						
	Pension	\$11.0	\$8.0	-\$3.0	\$2.0	\$6.0
	Health	\$9.0	\$9.0	\$9.0	\$7.0	\$7.0
State Police Retirement System						
	Pension	\$667.0	\$654.0	\$735.0	\$749.0	\$772.0
	Health	\$560.0	\$581.0	\$637.0	\$576.0	\$586.0
Legislative Retirement System						
	Pension	\$57.0	\$58.6	\$57.2	\$59.9	N/A
	Health	\$135.0	\$153.0	\$161.0	\$165.0	N/A
Total Liabilities						
	Pension	\$33,425.0	\$33,262.6	\$35,974.2	\$36,245.9	N/A
	Health	\$19,575.0	\$17,742.0	\$18,699.0	\$16,706.0	N/A

Description:

Government Accounting Standards Board requires governments to measure and report amounts owed for retiree pension and health benefits. The unfunded actuarial accrued liability is the difference between the long-term benefits owed under the plan and the amount of assets in the plan.

Budget Stabilization Fund/Rainy Day Fund

Rebuilding Michigan's "Rainy Day Fund," which was established in 1977 to assist in stabilizing revenue during periods of recession, continues to be a priority. The total has grown from \$2 million in 2005 to about \$1 billion in 2018. This equates to over 4% of combined GF/GP and SAF revenue.

Budget Stabilization Fund/ Rainy Day Fund (\$ in Millions)

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Beginning Balance	\$505.6	\$386.2	\$498.1	\$612.4	\$710.0
Interest income	\$0.4	\$0.4	\$1.7	\$5.1	\$13.5
Tobacco settlement proceeds	\$0.0	\$17.5	\$17.5	\$17.5	\$17.5
Deposits	\$75.0	\$94.0	\$95.0	\$75.0	\$265.0
Withdrawal	(\$194.8)	\$0.0	\$0.0	\$0.0	\$0.0
Ending Balance	\$386.2	\$498.1	\$612.4	\$710.0	\$1,006.0

Economic Indicators

Michigan's economy has continued to rebound over the last 5 years, with unemployment rates at very low levels and sustained growth in levels of employment and per capita income.

Economic Indicators

	Fiscal Year (October 1 - September 30)				
	2014	2015	2016	2017	2018
Annual unemployment rate, seasonally adjusted	7.2%	5.4%	5.0%	4.6%	4.1%
Nonfarm payroll employment (number of people in thousands)	4,182	4,243	4,320	4,369	4,419
Michigan per capita income	\$41,050	\$43,408	\$44,668	\$46,136	\$47,582

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